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30 June 1973

MEMORANDUM FOR: Chief, Western Hemisphere Division

SUBJECT: Chile - What Now?

1. During the past month, developments inside Chile have made this Branch increasingly dubious about the desirability of continuing the massive financial support envisaged in the 40 Committee proposal. These doubts have been increased by the abortive military coup attempt of 29 June as well as by the negative reaction of DDI and PPB to the 40 Committee proposal. Private sector hopes for stimulating military action against the government have certainly been dissipated by the unanimity with which the Armed Forces supported Allende on 29 June. A political solution to the Chilean problem, i.e., an opposition electoral victory in 1976 seems increasingly remote, since Allende will now be able to move more vigorously and effectively against the opposition. The only candidate capable of defeating the UP in 1976, Eduardo Frei, is demonstrating a notable lack of effectiveness in countering government attacks against himself and his party. The PDC continues to be indecisive, ineffective and undisciplined, with party leaders contradicting each other publicly. The fuzzy PDC concept of "socialist communitarianism," long advocated by Radomiro Tomic and now espoused by Frei, is clear only in its rejection of free enterprise. It does not appear that the United States would benefit greatly from another Frei administration, although the U.S. would undoubtedly be asked to provide such an administration with massive financial and economic support.

2. In addition to the abortive coup, the following recent developments led the Branch to reconsider our proposed policy:

a. Private Sector

Ambassador Davis and Assistant Secretary Kubisch are reluctant to authorize support

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to the private sector because this sector is working to promote military intervention. Since support to this sector must be approved by the Ambassador, the Station is unlikely to be able to provide any significant support to the only groups which are willing and might conceivably be able to create conditions which would precipitate military action.

b. PDC

The PDC continues to vacillate and to temporize. In order to improve its chances for attracting lower class voters away from the UP, the PDC is cultivating a more leftist image. Renan Fuentealba, a senator and important PDC leader (he was PDC president until May 1973) announced on 20 June that he feels the PDC should support the government's "three areas" bill, which would largely eliminate the remainder of the private sector. The PDC has dissolved its coalition with the "rightist" PN, thus fragmenting the political opposition. Funds passed to the PDC would be used to build the PDC's socialist communitarian image rather than to support a united opposition effort to reverse UP programs.

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c. The Radical Parties

Both Radical splinter groups were so badly defeated in the March elections that they can no longer play any significant political role.

4. The picture which emerges from the developments described above is that of a political opposition which seems likely to remain disunited. The private sector may make one last effort to provoke a confrontation with the government during the coming summer months, but without the support of the political parties, particularly the PDC, and the support of the Armed Forces, particularly the Army, this effort seems doomed to failure. [REDACTED] seem unanimous in stating that the next six months will be decisive for them. If the UP is not prevented from gaining a stranglehold on the economy, the private sector may well collapse. Those able to leave Chile will do so, while the rest will make whatever accommodation with the government is possible. Government economic control will almost certainly affect voter political loyalties well before the 1976 elections, so that the UP could win these elections legally, particularly since either of the likely UP standard-bearers (Almeyda and Toha) would be a strong candidate while Frei appears increasingly discredited.


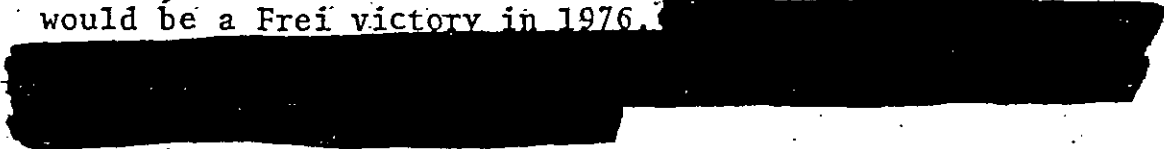
5. We do not know what may happen during the next few months: it is just possible that heightened political tensions could lead to a dramatic breakdown in public order which would prompt the military to act. If our objective is still to overthrow Allende, then we should be prepared to take advantage of these circumstances and to assist the private sector [REDACTED] to achieve this goal. But if the U.S. Government is not prepared to take the risks involved in such action (and such a refusal seems amply justified by Armed Forces support of Allende on 29 June), then the continuance of

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large-scale financial assistance to the political parties will not be productive. The most positive result (albeit remote) of assistance limited to the political parties would be a Frei victory in 1976.



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